

Message Text

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43

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

? CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 SCEM-02 INT-08

TAR-02 DRC-01 /181 W

----- 041889

R 072300Z JAN 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 2438

INFO ALL AMCONSULS IN CANADA

UNCLAS OTTAWA 0054

E.O. 11652: N/A

TAGS: ENRG, CA, US

SUBJECT: OIL EXPORT CHARGE ACT.

1. IN DISCUSSION OF SPECIFICS OF OIL EXPORT CHARGE ACT DURING COURSE OF COMMONS SECOND READING ON JANUARY 3, FINANCE MINISTER TURNER STATED THAT, WHILE PART II OF BILL PROVIDES FOR EXCISE TAX ACT AMENDMENTS TO COVER VARYING TAXES PLACED ON CRUDE EXPORTS FOR OCTOBER-JANUARY 1974, PART I IS IN "RECOGNITION OF THE NEED, ON A LONG-TERM BASIS, TO PROVIDE FOR A MORE FLEXIBLE CONTROL MECHANISM." THE PROPOSED NEW TARIFF OF CHARGES ON EXPORTS, IN CONTRAST WITH THE TEMPORARY EXPORT TAX WOULD INCLUDE A VARIABLE RATE ACCORDING TO QUALITY AND DESTRUCTION OF EACH EXPORTATION. CHARGES WOULD BE ESTABLISHED MONTHLY BY THE GOVERNOR IN COUNCIL ACCORDING TO NATIONAL ENERGY BOARD RECOMMENDATIONS.

2. TURNER SAID ONE ASPECT OF BILL POSES SPECIAL PROBLEM. NAMELY, THERE ARE SOME TYPES OF CRUDE "WHICH CLEARLY CANNOT BEAR THE BURDEN OF THE EXPORT CHARGE. THIS OCCURS

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BECAUSE THE PARTICULAR TYPE OF CRUDE IN QUESTION CANNOT

COMPETE IN THE UNITED STATES MARKET IF THE FULL EXPORT CHARGE MUST BE ADDED ON AS PART OF THE COST. SIMILARLY, THERE ARE A NUMBER OF INSTANCES WHERE CANADIAN CRUDE OIL IS EXPORTED SOLELY FOR THE PURPOSES OF REFINING, AND THEN THE REFINED PRODUCT IS REIMPORTED INTO CANADA."

TURNER CHARACTERIZED THESE RESULTS AS ANOMALOUS AND RUNNING COUNTER TO THRUST OF CANADIAN POLICY WHICH IS TO KEEP PRICES DOWN FOR DOMESTIC CONSUMERS. TURNER SUGGESTS PROBLEMS OF THIS TYPE MAY REQUIRE SOME COMBINATION OF MEASURES INCLUDING REMISSIONS OF THE LEVY AND DIRECT PAYMENTS. HE SAID THIS IS A MATTER YET TO BE RESEARCHED.

3. PRESENT INDICATION IN COMMONS IS THAT BILL WILL BE SPLIT UP, ENABLING QUICK PASSAGE OF PART II BUT DEFERRING ACTION ON PART I (DEALING WITH POST - FEBRUARY 1 SITUATION) UNTIL AFTER RESULTS OF FEDERAL-PROVINCIAL ENERGY CONFERENCE (JANUARY 22-23) ARE MADE KNOWN.

SCHMIDT

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Message Attributes

Automatic Decaptioning: X
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Current Classification: UNCLASSIFIED
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Control Number: n/a
Copy: SINGLE
Draft Date: 07 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
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30 JUN 2005

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TAGS: ENRG, CA
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